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## Zimbabwe

## Cotton and Products

## Annual

## 2008

**Approved by:**

Scott Sindelar

U.S. Embassy, Pretoria

**Prepared by:**

Dirk Esterhuizen

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**Report Highlights:**

The preliminary forecast for the 2008 seed cotton production is 300,000MT, an increase of 18.1% from last year's crop. Zimbabwe's cotton industry plans to expand production further in future through a systematic increase in area planted to cotton and recruitment of new farmers. Currently there is no commercial cultivation of Bt cotton in Zimbabwe. Cotton lint is becoming an important export crop for Zimbabwe and threatens to overtake tobacco as the country's leading export crop. In 2007 Zimbabwe earned over US\$120 million from the export of about 86,000MT (395,000 bales) of cotton lint. Cotton lint exports are expected to reach a minimum of 86,100MT (395,000 bales) in MY2008/9.

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Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
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## Cotton and Products 2008

### Summary

Seed cotton output is forecast to increase 18.1% from 254,000MT in 2007 to 300,000MT in 2008. Cotton is the only crop to register meaningful growth within the agricultural sector this season. The attractive returns are the major driver of increased production. Ginners and merchants support production of the crop through contractual arrangements with growers. Government has no assistance programs for cotton production. Plans are in place to systematically increase cotton production through an expansion of production area and recruitment and training of new growers.

Lint production is also forecast to increase 18.1% from 104,140MT achieved in MY 2007 to 123,000MT in MY2008. The domestic to export ratio for lint is 30:70. At least 70% of the lint will be exported to generate the much needed foreign currency. Lint exports are set to increase from 86,231MT achieved in MY 2008.

Exchange rate:   US\$1 = Z\$370,000,000 (inter-bank /official)  
                      US\$1 = Z\$500,000,000 (parallel market)

## Cotton

### Cotton production table

Marketing year begin	08/2006	08/2007	08/2008 Forecast
Area planted (ha)	370,000	350,000	400,000
Area harvested (ha)	370,000	350,000	380,000
Seed cotton production (MT)	260,000	254,000	300,000
Yield (t/ha)	0.7	0.7	0.8
Lint production (MT)	106,600	104,140	123,000

## Production

Cotton is mainly produced in the hot and semi-arid, low altitude areas in the north and in the south-east of the country.

The preliminary forecast for the 2008 seed cotton production is 300,000MT, an increase of 18.1% from last year's crop size of 254,000MT. The area planted to cotton in 2007/8 season increased 14.3% to about 400,000 hectares from last year's area of 350,000 hectares. The increase in production is mainly due to the attractive returns that farmers are getting from the crop. About 5% of the planted area is estimated to have been lost to floods and water logging, following the incessant heavy rains that prevailed in December and January, reducing the area harvested to about 380,000 hectares. The average cotton yield is estimated at 0.8t/ha.

Small scale farmers are the major producers of cotton in Zimbabwe. The contribution by small scale farmers is increasing annually and currently there are about 300,000 growers who produce 99.2 % of the country's total seed cotton. Unlike other crops such as corn and wheat, cotton production does not receive government assistance in the form of input support. The trade (ginners and merchants) support cotton production through the provision of technical advice and inputs such as seed, fertilizers and pesticides on loan to growers. The growers in turn sign contracts that bind them to the contractor (the provider of inputs). At harvest, part of the growers' harvested seed cotton goes towards offsetting the inputs loan.

Zimbabwe's cotton industry plans to expand production through a systematic increase in area planted to cotton and recruitment of new farmers. However, a potential threat to expanded production is side-marketing where contracted growers dishonor contractual obligations by selling seed cotton to other buyers who would not have financed production of cotton. Also, high inflation, with year-on-year inflation for March at 355,000%, is a challenge to

contractors as it makes medium to long-term financing and strategic planning very difficult.

Local ginners and merchants have formed the Cotton Ginners Association (CGA), a liaison body with government whose role and mandate is to govern and regulate the activities of contractors through ensuring fair trade practices and maintenance of high quality standards in the cotton industry. Formation of the CGA has brought more order to the cotton industry by ensuring that all players support production and that they meet commitments to supply local spinners and oil-producing industries with raw material.

The CGA has drawn up a plan to boost seed cotton production from the current level of 300,000MT to a target of 1,000,000 MT by 2011 through grower support programs with appropriate input packages and training.

The Ministry of Agriculture together with stakeholders in the cotton industry has come up with a regulatory framework to control side marketing. The framework is yet to be made into law.

### Bt Cotton

The government has shifted its policy on Bt cotton and now allows Bt cotton trials under the supervision of the Biotechnology Authority of Zimbabwe (BAZ). Currently there is no commercial cultivation of Bt cotton in Zimbabwe.

Quton, the sole cotton seed producing company in Zimbabwe has entered into an agreement with a USA GMO technology provider to boost locally adapted varieties with insect resistant and herbicide tolerant genes.

### Prices

The current price of seed cotton is pegged at US\$0.25 per kg. The price is paid to farmers in local currency at the ruling inter-bank exchange rate.

## Cotton Lint

### PSD Table

Country	Zimbabwe								
Commodity	Cotton								
	2006	Revised		2007	Estimate		(HECTARES)1000 480 lb.		
	USDA	Post		USDA	Post		Bales(PERCENT)(KG/HA)		
	Official	Estimate	Post	Official	Estimate	Post	2008	Forecast	UOM
			Estimate			Estimate	USDA	Post	Post
			New			New	Official	Estimate	Estimate
Market Year	08/2006	08/2006		08/2007	08/2007		08/2008	08/2008	MM/YYYY
Begin									
Area Planted	370	370	370	350	350	350	0	370	400 (HECTARES)
Area Harvested	350	370	350	400	350	400	0	370	380 (HECTARES)
Beginning	191	65	191	201	78	201	245	62	245 1000 480 lb.
Stocks									Bales
Production	500	490	500	600	509	600	0	565	565 1000 480 lb.
									Bales
Imports	0	0	0	0	0	0	0	0	0 1000 480 lb.
									Bales
MY Imports	0	0	0	0	0	0	0	0	0 1000 480 lb.
from U.S.									Bales
Total Supply	691	555	691	801	587	801	245	627	810 1000 480 lb.
									Bales
Exports	385	315	385	450	356	450	0	395	395 1000 480 lb.
									Bales
Use	90	147	90	90	153	90	0	170	170 1000 480 lb.
									Bales
Loss	15	15	15	16	16	16	0	15	15 1000 480 lb.
									Bales
Total Dom.	105	162	105	106	169	106	0	185	185 1000 480 lb.
Cons.									Bales
Ending Stocks	201	78	201	245	62	245	0	47	47 1000 480 lb.
									Bales
Total	691	555	691	801	587	801	0	627	810 1000 480 lb.
Distribution									Bales

### Production

Lint recovery rate from seed cotton is 41%. Lint production in 2008 is expected to reach 123,000MT (565 bales). Zimbabwe has an installed ginning capacity of about 750,000MT seed cotton annually. The CGA ensures that the local industry has adequate supplies of lint.

Cotton lint produced in Zimbabwe is widely regarded as being among the best upland cotton produced in Africa and it competes favorably with other premium styles around the world.

## Consumption

Out of the total lint production, 30% is reserved for the local market as per legal requirement. Hence, all ginners are required to supply 30% of their lint production to the local industry. The export quota for lint is 70%. In 2007 31,000MT lint was the quota supplied to the local market. However, not all the lint was utilized as the textile industry experienced disruptions to production mainly as a result of power outages that the country faced. The domestic lint quota of 36,900MT will be supplied to local spinners in MY2008/9. When the prescribed domestic quota exceeds demand, the surplus lint will be channeled to exports.

The textile industry is considered strategic to the economy as it contributes significantly to the Gross Domestic Product, bringing in foreign currency through export receipts and also through direct employment creation of thousands of jobs. However, recently the textile industry has been hard hit by the volatile economic climate affecting the country and is experiencing a downturn. Many firms have reduced capacity utilization and jobs have shrunk in the industry as it faces stiff competition from the Asian textile industry where labor costs are lower.

## Trade

Cotton lint, one of Zimbabwe's biggest exports is becoming the country's premier export crop and threatens to overtake tobacco as the country's leading export crop. In 2007 Zimbabwe earned over US\$120 million from the export of about 86,000MT (395,000 bales) of cotton lint. Cotton lint exports are expected to reach a minimum of 86,100MT (395,000 bales) in MY2008/9.

### Exports

In 2007 a total of 86,231MT lint were exported. The major export destinations were the Far East, Africa and Europe. Africa accounted for 50% of exports whilst the Far East and the EU accounted for 33.6% and 14.2% of the exports respectively. Among the African export destinations exports to South Africa were 34,373MT or 77.4% of exports to African countries. The high export figure for South Africa is not all for consumption in that country. Annually, several ginning companies warehouse lint in South Africa as they speculate on the world market price. Most of this lint is later re-exported to other destinations, but this data is not available.

In the Far East the main export destinations were Singapore, Thailand and China whilst the major European export destinations were Italy, Portugal and the UK. South Africa and Tanzania were the main African export destinations.

The table below shows lint exports for 2006 and 2007.

### Export Trade Matrix

<b>Country</b>	Zimbabwe	
<b>Commodity</b>	Cotton lint	
Time Period	MY	Units: MT
Exports for:	2006	2007
U.S.	2	0
Others	Others	
South Africa	25890	South Africa 34373
Thailand	10920	Thailand 6829
Italy	5479	Italy 3852
Singapore	9917	Singapore 8989
UK	1873	UK 2362
Switzerland	1139	Switzerland 845
Japan	2492	Japan 3325
Germany	2120	Germany 1377
		China 5683
		Portugal 3462
		Tanzania 5225
		Lesotho 2974
Total for Others	59830	79296
Others not Listed	8767	6935
Grand Total	68599	86231

Cotton fabric was also exported as shown on the table below.

Cotton fabric exports (MT)

Destination and year	2006	2007
South Africa	1213	1439
Zambia	80	147
Mozambique	5	8
Others	152	4
<b>Total</b>	<b>1450</b>	<b>1598</b>

**Source:** Central Statistical Office, Ministry of Industry and Trade, Government of Zimbabwe

Cotton fabric exports in 2007 increased 10.21% compared to the 2006 exports. South Africa is a major market for cotton fabrics.

## Imports

Zimbabwe imports cheap fabrics from other countries particularly the Far East as shown on the table below. It does not import lint.

### Fabric imports (MT)

Destination and year	2006	2007
China	142	148
Hong Kong	696	557
Mauritius	180	169
Zambia	0	180
South Africa	1074	84
Others	309	352
<b>Total</b>	<b>2401</b>	<b>1490</b>

**Source:** Central Statistical Office, Ministry of Industry and Trade, Government of Zimbabwe

Fabric imports fell 38% from 2401MT in 2006 to 1490MT in 2007. The decrease could be attributed to foreign currency constraints facing the country.

## **Stocks**

Cotton lint ending stocks at the end of MY 2008 are expected to be low as exports are expected to increase.